

## Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 CIAE-00 INR-10 NSAE-00 INRE-00 SS-15  
SSO-00 NSCE-00 SP-02 PM-05 DOE-15 SOE-02 L-03  
OES-09 OMB-01 COME-00 STR-07 TRSE-00 /078 W  
-----093345 041122Z /14  
O 041025Z AUG 78  
FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC IMMEDIATE 670

C O N F I D E N T I A L JAKARTA 10615

E.O. 11652: GDS  
TAGS: ENRG,ID  
SUBJECT: TALKING POINTS FOR SECRETARY SCHLESINGER MEETING WITH  
GENERAL HARYONO

REF: (A) STATE 194476, (B) STATE 194528, (C) JAKARTA 10613

1. E/C COUNS AND PETOFF MET WITH GENERAL HARYONO AUGUST 4  
TO DISCUSS HIS UPCOMING TRIP TO THE U.S. HARYONO PROVIDED  
INTERESTING NEW INFORMATION ON INDONESIAN PETROLEUM  
PRODUCTION, POSSIBLE NEW DISCOVERIES, MARKETING DIFFICULTIES  
AND LNG DEVELOPMENT. THIS INFORMATION IS REPORTED IN  
SEPTELS.

2. FOLLOWING ARE TALKING POINTS EMBASSY RECOMMENDS BE  
DISCUSSED WITH GENERAL HARYONO DURING HIS APPOINTMENTS IN  
WASHINGTON.

A). U.S.-WEST COAST OIL SITUATION: GIVEN THE IMPORTANCE  
OF THE CALIFORNIA MARKET FOR INDONESIA'S LOW SULPHUR CRUDE  
AND THE RECENT DIFFICULTIES PERTAMINA HAS EXPERIENCED IN  
MARKETING CRUDE AND FUEL OIL THERE, WE RECOMMEND THAT  
GENERAL HARYONO BE GIVEN A COMPLETE ASSESSMENT OF THE  
CURRENT AND LIKELY FUTURE OIL MARKETING SITUATION ON  
THE WEST COAST. (AN ORAL PRESENTATION BY SENIOR DOE  
AND/OR STATE OFFICIALS COULD USEFULLY BE SUPPLEMENTED  
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BY SOME WRITTEN MATERIAL TO PROVIDE BACKGROUND AND DETAIL).  
OF PARTICULAR IMPORTANCE TO INDONESIA WILL BE POSSIBLE  
USG POLICIES TO DEAL WITH THE SURPLUS OF ALASKAN OIL  
ON THE WEST COAST, AND THE POTENTIAL EFFECTS OF SUCH  
POLICIES ON U.S. IMPORTS OF INDONESIAN CRUDE.  
THIS DISCUSSION IS ALSO AN OPPORTUNITY TO HAVE HARYONO  
BRIEF USG OFFICIALS ON INDONESIAN OPTIONS TO DEAL WITH

MARKETING DIFFICULTIES. KOREA, AUSTRALIA, TAIWAN AND VIETNAM ARE REGIONAL MARKETS THAT PERTAMINA IS TRYING TO FURTHER DEVELOP.

B). PAC-INDO LNG CONTRACTS: HARYONO WANTS TO DISCUSS THE CURRENT STATUS OF THE PAC-INDO CONTRACTS. AS DESCRIBED REFTEL(C) HARYONO IS NOW MORE OPTIMISTIC THAN PREVIOUSLY ABOUT EVENTUAL SUCCESSFUL CONCLUSION OF THESE CONTRACTS. DOE MIGHT USEFULLY GO OVER THE REMAINING REGULATORY PROCEDURES AT THE FEDERAL LEVEL AND ALSO, IF POSSIBLE, AT THE STATE LEVEL. THIS IS ALSO AN OPPORTUNITY TO BRIEF HARYONO ON OVERALL US LNG IMPORT POLICIES PLACING PAC-INDO INTO THAT FRAMEWORK. WE STRONGLY RECOMMEND THAT ANY EXISTING OR POTENTIAL PROBLEMS WITH THESE CONTRACTS BE BROUGHT TO HARYONO'S ATTENTION. IT WOULD BE UNFORTUNATE IF HARYONO IS GIVEN GENERAL ASSURANCES AT POLICY LEVEL ONLY TO HAVE STATE OR FEDERAL REGULATORY AGENCIES REJECT THE CONTRACTS. C). FOR DEPARTMENT'S BACKGROUND, FOLLOWING IS UPDATE ON RECENT LNG DEVELOPMENTS THAT MAY BE USEFUL AS BACKGROUND INFORMATION FOR MEETING WITH GENERAL HARYONO. ARUN GAS FIRE: RED ADAIR AND MOBIL OIL WILL ATTEMPT TO EXTINGUISH THE GAS WELL FIRE NEXT WEEK WHEN ONE DIAGONAL INTERSECTION WELL IS COMPLETED. ARUN AND MOBIL HAVE EXPRESSED OPTIMISM THE FIRE CAN BE PUT OUT BUT PERTAMINA BELIEVES TWO OR THREE INTERSECTION WELLS WILL BE NECESSARY AND IT MAY BE OCTOBER BEFORE THE

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FIRE IS EXTINGUISHED.

OPENING OF ARUN LNG PLANT: THE OFFICIAL INAUGURATION OF THE ARUN LNG PLANT AND SHIPMENT OF LNG TO JAPAN HAVE BEEN POSTPONED UNTIL MID-SEPTEMBER. THIS IS NOT DIRECTLY CONNECTED WITH THE GAS WELL FIRE. RATHER IT IS DUE TO TECHNICAL PROBLEMS WITH THE PLANT'S OPERATION. HARYONO IS KNOWN TO BE LESS THAN PLEASED WITH MOBIL OIL'S RECENT PERFORMANCE IN TRYING TO OVERCOME THESE TECHNICAL PROBLEMS. HE PLANS TO DISCUSS THIS WITH MOBIL OFFICIALS IN NEW YORK.

ALTERNATE LNG MARKETS: TAIWAN AND KOREA REPORTEDLY STUDYING THE FEASIBILITY OF IMPORTING LNG. PERTAMINA OFFICIALS BELIEVE THAT NEITHER COUNTRY WOULD BE READY TO IMPORT LNG BEFORE 1990 AT THE EARLIEST. AS DESCRIBED REFTEL (C), HARYONO TOLD EMBASSY OFFICERS AUGUST 4 THAT JAPAN HAS NOW APPROACHED PERTAMINA ABOUT PURCHASING ADDITIONAL LNG FROM ARUN.

BONTANG LNG EXPANSION: DISCUSSIONS CONTINUE BETWEEN PERTAMINA AND JAPANESE UTILITIES CONCERNING A TWO TRAIN EXPANSION OF THE BONTANG LNG PLANT. WE UNDERSTAND THE JAPANESE STILL ARE CONCERNED ABOUT THE QUESTION OF SUFFICIENT PROVED GAS RESERVES TO SUPPORT SUPPLY

COMMITMENTS. PERTAMINA AND THE COMPANIES HAVE NO DOUBT THERE ARE SUFFICIENT RESERVES. EXPANSION APPEARS LIKELY TO GO AHEAD, LETTERS OF INTENT FROM JAPANESE BUYERS ARE EXPECTED IN SEPTEMBER OR OCTOBER WHEN AN OFFICIAL CERTIFICATION OF IN PLACE RESERVES IS ALSO SCHEDULED.

D). MAJOR PROJECTS IN PETROLEUM SECTOR: EMBASSY RECOMMENDS WASHINGTON INDICATE USG INTEREST IN AMERICAN COMPANY PARTICIPATION IN MAJOR PROJECTS IN THE PETROLEUM SECTOR. EXPANSION OF DUMAI REFINERY TO ADD 85,000 BARRELS A DAY CAPACITY WITH A HYDROCRACKER IS A PROJECT FOR WHICH US COMPANIES AND TECHNOLOGY ARE WELL QUALIFIED AND FOR WHICH JAPANESE COMPETITION MAY BE STIFF, INCLUDING TYPES OF GOVERNMENT SUPPORT  
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UNAVAILABLE FOR U.S. FIRMS. THERE IS STILL SUBSTANTIAL PLANNING AND STUDY ESPECIALLY REGARDING FINANCES BEFORE DUMAI CAN GET OFF THE GROUND. HOWEVER, IN GENERAL, WE BELIEVE IT USEFUL IF WASHINGTON CAN REINFORCE OUR SUPPORT OF U.S. COMMERCIAL INTEREST IN THIS KIND OF MAJOR PROJECT.

E). US. STRATEGIC PETROLEUM RESERVE. WE HAVE PROVIDED GENERAL HARYONO WITH INFORMATION IN REFTEL (B) ON POSSIBLE INDONESIAN PARTICIPATION IN U.S. STRXLEGIC PETROLEUM RESERVI. HARYONO WAS GRATEFUL FOR THIS AND SAID HE PLANS TO DISCUSS IT FURTHER IN WASHINGTON.  
GARDNER

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## Message Attributes

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